

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 19, 2003

The Capital Projects and Bond Oversight Committee met on Tuesday, August 19, 2003, at 10:30 AM, in Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Leeper, Co-Chair; Representative Jodie Haydon, Co-Chair; Senators Tom Buford, Virgil Moore, and Jerry Rhoads; Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the committee: Cicely Lambert and Garlan Vanhook, Administrative Office of the Courts; Bill Hintze, Governor's Office for Policy and Management; Jamie Link, Finance and Administration Cabinet; John Rosenberg, East Kentucky Science Center; Bill Beasley, Purchase Area Regional Industrial Authority; Charlie Bush, Department of Fish and Wildlife Resources; John Nicholson, Kentucky Horse Park; Warren Nash, Economic Development Cabinet; Sandy Williams, Kentucky Infrastructure Authority; and George Burgess and Tom Howard, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, Bart Hardin, and Shawn Bowen.

Representative Marcotte made a motion to approve the minutes of the July 15, 2003, meeting as submitted. The motion was seconded and passed by voice vote.

Representative Haydon called on Ms. Collins to review correspondence and information items. Ms. Collins said included in members' folders was follow-up correspondence from Finance Secretary Gordon Duke concerning the sale of school bonds reviewed by the Committee last month. Also included in members' folders was a quarterly progress report on the Diddle Arena Renovation project, the Kentucky Lottery Corporation's monthly financial report for June 2003, and the monthly staff update on various capital projects.

Representative Wayne noted this is the last time the committee will have a report on Kentucky Lottery money being transferred to the Affordable Housing Trust Fund. He said since 1998, over \$17 million has been put into this fund. The money has been used to either rehabilitate or build new housing units in every county of the state.

Representative Marcotte thanked Representative Wayne for his leadership on this issue. He said this has been important to people all over the state, and Representative Wayne has been a leader in this effort.

Representative Haydon next introduced Cicely Lambert, Director, Administrative Office of the Courts (AOC), and Garlan Vanhook, General Manager of Facilities, AOC, to discuss a cost overrun for the Clay County Judicial Center. This project was authorized by the 2000 General Assembly at a project scope of \$7,075,800, and an annual use allowance of \$566,100. Ms. Lambert said in April 2003, the Court Facilities Standards Committee (CFSC) approved an increase of \$569,200 in the project scope to accommodate a new family court and design requirements for a three-story structure. She said the CFSC's action at that time did not increase the use allowance.

Ms. Lambert said the Clay County Project Development Board is recommending the purchase of two additional parcels of land close to the courthouse for parking since the site for the Judicial Center does not have sufficient parking for the public. Ms. Lambert said the purchase, development, and financing of these parcels of land increases the project cost by approximately \$750,000. She said in August 2003, the CFSC approved an increase in the use allowance for this purpose, contingent upon approval by this committee.

In response to a question by Senator Moore, Ms. Lambert said the committee is considering an increase of \$30,400 in the annual use allowance, and if approved, the revised annual use allowance will be \$596,500. The total cost of the project would be \$8,395,000.

Senator Moore made a motion to approve the cost overrun for the Clay County Judicial Center. The motion was seconded by Senator Buford and passed by roll call vote. Seven members voted affirmatively and Representative Damron abstained from the vote, citing a potential conflict of interest.

Also included in members' folders were two information items from AOC: Fiscal Year 2003 report for the Use Allowance Contingency Fund, and a status report on the Court of Justice Capital Projects authorized by the 2000 General Assembly.

Representative Haydon complimented AOC on the courthouse in Nelson County. He said they have done a wonderful job. Mr. Vanhook said they are anticipating opening the Nelson County Courthouse around Labor Day.

Senator Rhoads said it is gratifying to see AOC working well with local officials.

Representative Marcotte said that in Gallatin County, a lawsuit was recently filed because its courthouse is not handicapped accessible. He asked if there are any plans to remodel the courthouse and address this problem. Mr. Vanhook said AOC only occupies 60% of the building; the county occupies the rest. He said they have been planning improvements since 1998, but the county has been unable to come up with its share of the money for the project. In the proposed 2002-04 judicial budget, AOC included a project for an annex that would accommodate certain improvements, including Americans with Disabilities Act (ADA), life safety, and fire codes. However, when no new projects were funded for the 2002-04 biennium, AOC began working on alternatives to meet code and other issues, but it is difficult for the county to provide its share of the money required to make those accommodations. Mr. Vanhook said there are several other courthouses in similar situations.

Representative Haydon asked Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management (GOPM), and Jamie Link, Acting Commissioner of the Department for Facilities Management, to present the monthly Finance and Administration Cabinet project report. Representative Haydon also noted that Armond Russ, the previous Commissioner of Facilities Management, has retired.

Mr. Hintze reported an allocation of \$400,000 from the Emergency Repair, Maintenance and Replacement Account to replace part of the Fire Alarm/Life Safety Notification System at the Kentucky Center (formerly the Kentucky Center for the Arts). Mr. Hintze said a project to address this as well as security issues was part of the Center's six-year capital plan. However, he said the Center needs to proceed with part of this part of the project now, due to the fact the fire alarm system is no longer reliable.

Representative Wayne asked how much money will be left in the Emergency Account after this allocation. Mr. Hintze said he is aware of potential requests for additional emergency allocations that will further deplete the fund by \$1 million or more. Taking that into account, the Emergency Fund will have approximately \$5 million remaining. He said the Administration hopes the remaining funds will be sufficient until more funds can be appropriated next year. He indicated that a current year supplemental budget may be requested in the 2004-06 budget process.

Representative Wayne said by statute, the Center is required to have repair and replacement funds available. He asked if the Center has any funds available to address this emergency need. Mr. Hintze said the Center's Maintenance Pool, which received \$289,400 in state funds in the 2002-04 budget, is used to address small projects. He said if a project costs \$400,000 or more however, they cannot use the Maintenance Pool.

Senator Buford asked if there is an itemized list available detailing how the \$289,400 in state funds was allocated by the Kentucky Center. Mr. Hintze said he did not

have that information readily available, but he would find out and let the committee know. Representative Haydon said no action is required on emergency allocations.

Mr. Hintze next reported an allocation of \$195,000 from the Capital Construction and Equipment Purchase Contingency Account for the East Kentucky Science Center project in Prestonsburg. Mr. Hintze said this project was part of the Kentucky Community and Technical College System (KCTCS) and initially authorized by the 1998 General Assembly for \$2,640,000. The 2000 General Assembly appropriated an additional \$1,000,000 for the project. The contingency funds are to be used to equip and furnish the planetarium once construction is complete.

Representative Wayne asked why this request for funds did not go through KCTCS. Mr. Hintze said this project evolved from a free-standing line item appropriation, which was attached to the Education, Arts and Humanities Cabinet initially, and was later transferred by executive order to KCTCS to accommodate the physical proximity of the project rather than its mission. He said KCTCS is supportive of the project and the allocation of additional funds to complete the project.

Mr. John Rosenberg, Chairman of the Center's Board of Directors, said the non-profit organization has signed a contract with KCTCS relating to this project. Under that agreement, the Center is the operating arm of the project, funding for the staff will come through the Education, Arts, and Humanities Cabinet, and the building is to be owned by KCTCS. From its inception, the architects have worked with KCTCS staff. However, the programs being administered right now to schools in an outreach capacity are run by the Center's staff.

Representative Wayne suggested that the committee's approval should be contingent upon receiving a letter from the KCTCS President, stating his approval of the project.

Senator Buford noted that approximately \$15,000 of the allocation will be used to pay for curriculum materials. He said normally curriculum materials are not considered part of capital construction project. Mr. Rosenberg said these materials are permanent additions to the visual equipment.

Senator Buford said he agreed with Representative Wayne that KCTCS should send a letter stating its approval of this project. He said KCTCS must understand that this project could fall within its budget and if they do not receive appropriate budget increases, they will have to come up with the funds to keep the building operating.

Mr. Bill Beasley, who was present for another item on the agenda, said he is on the KCTCS Board of Regents. He said the Board approved the original project but has

not reviewed the cost overrun. He said he would work with KCTCS President, Dr. Michael McCall, to make sure the committee receives the letter requested.

Representative Wayne made a motion to approve the Contingency Fund allocation contingent upon a letter from KCTCS President McCall stating his approval of this project. The motion was seconded by Senator Buford and passed by unanimous roll call vote.

Representative Wayne asked about the status of the Contingency Fund. Mr. Hintze said there is approximately \$7 million in the Contingency Fund. In response to another question by Representative Wayne, Mr. Hintze indicated they have less concern regarding this fund than they do the Emergency Fund. They have more control over this fund since the need for contingency funds is typically not as urgent as emergency fund requests.

Mr. Hintze reported an allocation of \$424,224 from the Department of Fish and Wildlife Resources Land Acquisition Pool for the acquisition of 530 acres (\$800/acre) in Henry County. The source of funds is restricted federal funds.

Representative Wayne noted the Department earlier purchased land in Owen County from the same property owner. He asked why there was a large difference in the cost per acre for the two acquisitions. (The Owen County acquisition included 307 acres and was purchased for \$544,300 (\$1,773/acre).) Mr. Charlie Bush, Department for Fish and Wildlife Resources, said the land in Owen County was higher quality, it was clear pasture ground and bottom land, and the Henry County land acquisition is 100% forested. Representative Haydon said no action is required on purchases made from a Land Acquisition Pool.

Mr. Hintze then updated the committee on the Pine Mountain State Park Trail project. He said the project scope was originally reported as \$2,900,000. However, the amount of federal funds actually received for this project was slightly less (\$8,693) than anticipated. The project scope is now \$2,891,307. Representative Haydon said no action is required on this project update.

Mr. Hintze reported two privately-funded projects at the Kentucky Horse Park (KHP). He reported that the Central Kentucky Riding for the Handicapped (CKRH), a not-for-profit organization, plans to relocate from its current location at the KHP to 25 acres of KHP property acquired a few years ago. CKRH plans to invest \$2.5 million in privately raised funds to construct three buildings – an indoor arena, a one-story building, and a barn.

Representative Wayne asked if the procurement code and prevailing wage would apply to this project. Mr. Hintze said CKRH will not be using conventional procurement

means for this project. Mr. John Nicholson, Executive Director, KHP, said CKRH will build the facility under a ground lease arrangement with KHP.

Mr. Hintze reported a \$1.5 million privately-funded project known as the Sheila Johnson Ring Seating, at the KHP. The project consists of installing permanent bleacher seating for 10,000 people in a show jumping ring and will be totally funded by the Kentucky Horse Park Foundation. Once completed, the project will become part of the KHP's managed assets. Mr. Hintze said the state's prevailing wage law will be followed for this project.

Senator Leeper asked why the Kentucky Horse Park Foundation is managing this project rather than the Finance Cabinet. Mr. Nicholson said the Foundation raised the money, but the management of the project itself will come from the KHP planning and maintenance construction director. Mr. Nicholson said they managed the Stadium Jumping Pavilion project in a similar way. He said they will follow the state procurement code as well as the state's prevailing wage law.

Senator Buford made a motion to approve the project. The motion was seconded by Representative Wayne and approved by unanimous roll call vote.

Representative Haydon asked Warren Nash, Deputy Commissioner, Department for Financial Incentives, Cabinet for Economic Development, to present the Annual Economic Development Bond Pool Report and one new Economic Development (ED) Bond Pool project.

Mr. Nash discussed the Annual Economic Development Bond Pool Report for Fiscal Year 2003. He said there are thirty projects in compliance, or being brought into compliance. He said they have collected payments that are required of those companies receiving ED bond fund assistance that are not in compliance.

In response to a question from Representative Wayne, Mr. Nash said the Paducah Information Age Park and the Bracken County Industrial Age Authority both had job requirements they were unable to meet. After negotiations, the companies were given extensions to enable them to meet the job requirements. In response to further questioning about the Paducah Information Age Park, he said their new reporting date will be January 2004, and they will need to have 500 new jobs in place by then. Mr. Nash said he did not think they will be able to meet those requirements. If they are not met, a payback of \$2,500 per job not created or maintained will be required. He said this provision may be renegotiated at some point.

Mr. Nash discussed an ED Bond Pool Project for the Purchase Area Regional Industrial Authority (PARIA). He asked Mr. Bill Beasley, Executive Director, PARIA, to join him at the table. Mr. Nash said included in the ED Pool budget authorization is \$5

million to be used for a regional industrial development project with an existing multi-county agreement. He said the Economic Development Cabinet received a joint application for these funds from PARIA and the Graves County Fiscal Court. The \$5 million, along with other funding, will be used to plan and develop a first marketable phase of that park. He said Secretary Duke has requested that funds not be disbursed for this grant until PARIA's Master Plan is completed and accepted by the Economic Development Cabinet and the Finance and Administration Cabinet. He said if there is any need for additional funding for this phase, the commitments for those funds must be in place. At that point, funds will be available for disbursement for land acquisition and other costs related to the development of the park.

Mr. Beasley said the Master Plan for this project began July 9 and they anticipate that by September 9, they will have written documentation that the property has no environmental problems. He noted that even though Graves County is the fiscal agent, the project is an eight-county effort. Mr. Beasley said they anticipate PARIA will be asking for an extension of a Department of Energy grant (\$1,020,000), which will allow them to complete the Master Plan.

Senator Leeper said one of the most positive things about this project is the cooperative effort of all the county and city governments in the Purchase Area. He made a motion to approve the ED bond pool project. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Representative Haydon said the next agenda item was the bond activity report from the Office of Financial Management. He asked Ms. Sandy Williams, Kentucky Infrastructure Authority (KIA), to report new items proposed for KIA assistance. Ms. Williams presented one Fund A loan request in the amount of \$4,915,920 for the City of Hopkinsville. The proceeds will be used to complete Phase IV of its larger sewer facilities plan. This portion of the project will consist of sewer rehabilitation, pump station rehabilitation, and sewer extensions.

Representative Wayne asked why the City is including in its loan request funds to pay its own staff engineers. Ms. Williams said force account labor is an eligible cost under the federal guidelines for the state revolving fund, and the cost associated with the individuals doing this particular work is reimbursable under the state revolving funds.

Representative Damron made a motion to approve the Fund A loan. The motion was seconded by Senator Rhoads and approved by unanimous roll call vote.

Ms. Williams presented four new 2020 Account/Fund B Grants: City of Crab Orchard – waterline improvement and fire protection and Edmonton Water Works (three projects) – waterline extensions. Since the committee conditionally approved these project allocations in January 2002, no further action was required.

Mr. George Burgess, Executive Director, and Mr. Tom Howard, Deputy Executive Director, Office of Financial Management (OFM), discussed four new bond issues: Murray State University Consolidated Educational Buildings Refunding Revenue Bonds, Series H, Second Series, dated August 1, 2003, \$2,950,000; Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series P, dated September 1, 2003, \$11,125,000; State Property and Buildings Commission Revenue Bonds, Projects 78 and 79 in an amount not to exceed \$330,000,000; and Kentucky Economic Development Finance Authority Adjustable Rate Industrial Building Revenue Bonds, Goodwill Industries of Kentucky, Inc. project, \$10,000,000.

Representative Marcotte made a motion to approve the four new bond issues listed under New Business Item 6(E) 4a-d. The motion was seconded by Representative Damron and passed by unanimous roll call vote.

Mr. Howard then reported three follow-up reports for previously approved bond issues: Morehead State University Housing and Dining System Revenue Bonds, Series R, dated June 1, 2003; University of Louisville Consolidated Educational Buildings Revenue Bonds, Series N, dated June 1, 2003; and Kentucky Asset/Liability Commission Project Refunding Notes, 2003 General Fund Series A. Representative Haydon said these bond issues were approved at an earlier committee meeting and did not require action.

Mr. Howard then reported six new bond issues with School Facilities Construction Commission (SFCC) debt service participation: Bowling Green Independent (Warren Co.); Carter County; Elizabethtown Independent (Hardin Co.); Glasgow Independent (Barren Co.); Greenup County; and Muhlenberg County.

Representative Marcotte made a motion to approve the school bond issues. The motion was seconded by Representative Wayne and passed by roll call vote. Seven members voted affirmatively; Representative Damron abstained from the vote, citing a potential conflict of interest.

Representative Haydon said there were four locally-funded school bond issues submitted to the committee for review this month: Bowling Green Independent; Bullitt County; Christian County; and Greenup County. He said all disclosure information has been filed, and no further action on the bond issues is required.

Representative Haydon said the committee's next meeting will be held September 16 at the Wendell H. Ford Training Center in Greenville.

With there being no further business, the meeting was adjourned at 11:45 a.m.